

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-739-S - ORDER NO. 95-1656
NOVEMBER 6, 1995

IN RE: Application of Quail Hollow Utilities,) ORDER
Inc. for approval of an increase in) GRANTING
sewer rates and charges.) RECONSIDERATION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the October 19, 1995 request for Reconsideration of Order No. 95-1578 issued with regard to Quail Hollow Utilities, Inc. (Quail Hollow). Order No. 95-1578 granted an operating margin of 3.67% and an increase in rates from \$17.00 to \$21.00 per month for the company's customers.

In his request for reconsideration of October 19, 1995, Robert R. Russell, Jr. states that this rate will not allow Quail Hollow Utilities sufficient revenue to pay its bills. Mr. Russell then list various expenses and does a calculation to show that, in his opinion, the rate would not allow him to collect sufficient revenues to pay for the operations of the Company. Mr. Russell therefore asked for reconsideration of the Commission's Order.

The Commission has examined this matter, and hereby grants reconsideration. As in Order No. 95-1578, the Commission is mindful of the standards delineated in Bluefield Waterworks and Improvement Company vs. Public Service Commission of West Virginia, 262 US 679 (1923) and Federal Power Commission vs. Hope Natural Gas Company 320 US 591 (1994). It is incumbent upon this Commission to

consider not only the revenue requirements, but also the proposed price for the sewer service, the quality of the sewer service and the effect of the proposed rates upon the consumer.

As has been stated, a utility has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. However, employing fair and enlightened judgment, and giving consideration to all relevant facts, the Commission should establish rates which would produce revenues "sufficient to ensure confidence in the financial soundness of the utility and ... that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, *supra* 692-693.

There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rates of a public utility. In Order No. 95-1578, the Commission reiterated its use of the operating margin, which is a percentage obtained by dividing the total operating expenses by operating revenues. As was stated in Order No. 95-1578, the Company's operating margin before the increase was (17.22%).

Based on a further consideration of the standards enunciated in Bluefield and Seabrook Island, on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, and on the record as a whole, the Commission hereby modifies Order No. 95-1578. We hold that the Company should have the opportunity to earn a 5.41% operating margin. In order to have reasonable opportunity to earn a 5.41% operating margin, the

Company will need to produce \$149,460 in annual operating revenues.

TABLE A
OPERATING MARGIN

AFTER RATE INCREASE


Operating Revenue	\$149,460
Operating Expenses	141,374
Net Operating Income	<u>8,086</u>
Customer Growth	-0-
Total Income for Return	<u>\$ 8,086</u>
Operating Margin	<u>5.41%</u>
(After Interest Expense)	

In fashioning rates to give the Company the required amount of operating revenues so that it will have the opportunity to achieve a 5.41% operating margin, the Commission has carefully considered the concerns of the Company's customers, the Company, and the concerns of the Quail Hollow Property Owners Association. The Commission concludes that a further increase in rates is necessary and that a modification of the prior Order is in order. We therefore hold that the Company may collect rates of \$21.50 per month, which we hereby consider to be just and reasonable.

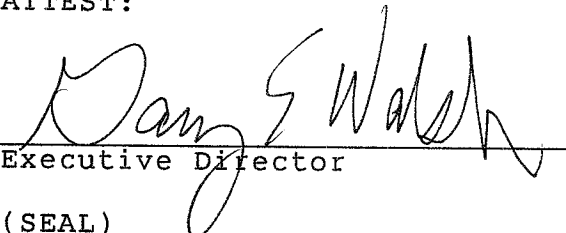
Based on the above considerations and reasoning, the Commission hereby approves the rates and charges stated in this Order and attached hereto as Appendix A as being just and reasonable. The rates and charges approved are designed in such a manner in which to produce and distribute the necessary revenues to provide the Company the opportunity to earn the approved operating margin. Accordingly, it is ordered that the rates and charges attached on Appendix A are approved for service rendered on or after November 1, 1995. The rate schedule is hereby deemed

to be filed with the Commission pursuant to South Carolina Code Annotated Section 58-5-240 (Supp 1994). It is ordered that should the approved schedule not be placed into effect before three (3) months after the effective date of this Order, then the approved schedule shall not be charged without written permission of the Commission. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director
(SEAL)

APPENDIX A

QUAIL HOLLOW UTILITIES, INC.
1022 CALHOUN STREET
COLUMBIA, SC 29201
(803) 779-6000

FILED PURSUANT TO:

DOCKET NO. 94-739-S

ORDER NO. 95-1656

DATED: NOVEMBER 6, 1995

RATES EFFECTIVE: November 1, 1995

SEWER SERVICE

RESIDENTIAL - monthly charges per single
residence or single family
equivalent -----\$21.50